



Report by the  
Comptroller and  
Auditor General

# Department of Social Security: Support for Lone Parent Families

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# Summary and conclusions

1. During 1988-89, social security expenditure totalling some £3.6 billion was directed towards the estimated one million lone parent families in Great Britain. Income Support, which replaced Supplementary Benefit with effect from April 1988, accounted for about half of this expenditure. The remainder was made up of income-related benefits, predominantly Housing Benefit and Family Credit, and of benefits available to lone parents regardless of income, in particular Child Benefit and One Parent Benefit (paragraphs 1.1-1.3).
2. It is the policy of Ministers to structure social security benefits so that:
  - (a) they contain some recognition of the additional needs of lone parent families; and
  - (b) while not requiring lone parents with children up to the age of 16 to be available for work, they nevertheless do not unduly discourage lone parents from working if they wish to do so (paragraphs 1.4 and 1.5).
3. The benefit system contains a range of measures which help those lone parents who wish to take-up or remain in either part-time or full-time work (Annex 1). Decisions about introducing or improving measures of this kind reflect the Government's overall objectives for the social security system. The Government attach particular concern to the need to have regard to
  - (a) the cost-effectiveness of any proposed change to ensure that any measures intended to encourage part-time work do not make staying on benefit attractive and thus act as disincentives to full-time work; and
  - (b) the treatment of lone parents compared with other groups, for example, married women with children.
4. Also successive governments have wanted the Department of Social Security to seek to ensure that absent parents — referred to as liable relatives and who are usually husbands or fathers — liable for the support of lone parent families receiving Supplementary Benefit/Income Support make maintenance payments. When maintenance is paid the amount of benefit payable is reduced (paragraph 1.7).
5. The National Audit Office examined the Department of Social Security's stewardship of the money provided by Parliament for lone parent families. They agreed with the Department that the concept of stewardship includes a number of key elements (paragraph 1.12). And these are reflected in the issues which this Report addresses:
  - (a) whether the Department have adequate information to create a database for the lone parent claimant group;

- (b) whether the Department adequately monitor and evaluate the financial impact of benefit arrangements for lone parents; and
- (c) whether the Department's procedures have ensured that, where it is cost-effective to do so, liable relatives make maintenance payments when and to the extent they are able.

6. In the course of their examination, the National Audit Office drew on the Department's research findings on lone parent families as well as the research material contained in a series of reports published by outside organisations (paragraph 1.14(a) and (c)). They also commissioned Gallup to undertake some qualitative research to provide an insight into the experiences and perceptions of some lone parents (paragraph 3.5).

#### Audit findings

7. The National Audit Office's main findings were as follows.

##### With regard to the adequacy of the Department's database

(a) The most striking trend evident from the Department's statistical information on lone parent families was their increasing dependency on Supplementary Benefit/Income Support. Between November 1979 and February 1986, the total number of lone parent families grew by 20 per cent from 840,000 to just over one million. But the proportion of all lone parent families receiving Supplementary Benefit grew from 38 per cent (318,000) to 60 per cent (602,000). The number dependent on benefits continued to grow after February 1986. By May 1988, 722,000 lone parent families were receiving Income Support (paragraph 2.3).

(b) Social developments such as the increasing rate of separation/divorce and greater acceptability of the birth of children outside marriage together with economic factors have, in all probability, contributed to the trend in lone parent families' increasing dependency on Supplementary Benefit/Income Support (paragraph 2.4).

(c) The Department had information showing that other countries have also experienced an increase in the number of lone parent families but that not all have the same scale of dependency on state support evident in Great Britain. However, because of social and political differences, there are problems in drawing firm conclusions about the absolute level of dependency in these countries and so it is difficult to draw relevant lessons from their experience (paragraphs 2.6 and 2.7).

(d) The Department take account of relevant findings of external research on lone parent families. But, until recently, there has been comparatively little research in this area in Great Britain (paragraphs 2.8 and 2.9).

(e) The Department had commissioned two research projects. For the periods which they examined these questioned the effectiveness of the benefit system in encouraging lone parents to work. However, because of the timing of the first project and

because of limitations in some of the analytical techniques used by the second project, the Department had doubts about whether the findings of these projects were sufficiently robust to enable firm conclusions to be drawn (paragraphs 2.10 to 2.15).

(f) The Department have a number of initiatives in hand to improve their database. These include two major surveys. One is examining the attitudes and circumstances of lone parents while the other is investigating the operation of systems for awarding and paying maintenance to lone parent families (paragraphs 2.16 and 2.17).

### **With regard to the evaluation of the financial impact of benefit arrangements for lone parents.**

(g) As a result of the uncertainties in the research findings, the Department have not been able to reach quantified conclusions about the relative importance of factors that influence lone parents' decisions about working and have contributed to the increase in the number of lone parent families receiving Supplementary Benefit/Income Support (paragraph 3.2).

(h) There were problems in obtaining firm information in this field. The apparent contradictions contained in different places of research reflected the difficulty of reaching firm conclusions about the multiplicity of different factors that influence lone parents' decisions on whether or not to work (paragraph 3.3).

(i) The Department accepted that if they are to satisfy themselves that the objectives of social security benefits with regard to lone parent families are being met, they should attempt to improve their efforts to untangle and quantify, as far as possible, the various factors that may be influencing lone parent families' dependency on social security benefits (paragraph 3.4).

(j) The available research material suggested that many factors influenced lone parents' decisions on whether or not to work. They included social factors such as the age of a lone parent's youngest child, attitudes to mothers working and possibly significant periods of trauma following the breakdown of the marital relationship. Some factors, such as the effect of the financial incentives provided through the social security benefit system for lone parents to work, were susceptible to the influence of the Department of Social Security. Others, such as lone parents' skills and qualifications or the availability of child care facilities, were the responsibility of other government departments (paragraphs 3.5 and 3.6).

(k) The Gallup interviews with lone parents indicated that the regulation allowing them to earn up to £15 from part-time work without affecting entitlement to Income Support (the earnings disregard) acted as an incentive to work for some lone parents but not for others. The statistical information which the Department use for monitoring does not enable them to ensure that the earnings-disregard regulations are not unduly discouraging lone parents from working part-time. The Department confirmed that research which they already have in hand or are planning will provide very useful information about lone parents' attitudes to

benefits and employment, including part-time work (paragraphs 3.9 to 3.13).

(l) Some of the lone parents interviewed by Gallup were concerned that if they took a temporary job and moved off Income Support, they would, under Income Support regulations, receive less when they went back on benefit because of the loss of transitional protection payments and the halving of help with mortgage interest. The Department, through their general monitoring, recognised that these regulations could deter Income Support claimants from working. To remove these disincentives to work appropriate revisions were made to these regulations in October 1989 (paragraphs 3.14 to 3.17).

(m) Some of the lone parents interviewed by Gallup believed that if they obtained a full-time job they would be financially worse off than if they remained on Income Support because of the loss of free school meals and of benefit to meet housing costs. However, these lone parents had not appreciated that because of the interaction of Income Support, Family Credit and Housing Benefit (and, from April 1990, Community Charge Benefit) they could be financially better off by taking up full-time employment (paragraphs 3.18 to 3.20).

(n) The National Audit Office noted that the answer to the question of whether a lone parent would be financially better off by working full-time or part-time or by not working at all depended on the full range of individual circumstances. The balance of gaining or losing by working varied according to the number and age of children, housing costs, maintenance payments made by liable relatives and work-related expenses. It was not surprising that some lone parents found it hard to evaluate their own position and the options before them (paragraph 3.21).

(o) The cost of child care and other work-related expenses emerged as an important consideration for some lone parents in the Gallup sample who wished to work full-time. At present there is a lack of information about such expenses incurred by lone parents. The Department's current survey of lone parents should provide some evidence. This will help in evaluating the effect of these expenses on the work incentives provided by the social security system and, more generally, the financial impact of benefits on lone parents (paragraphs 3.22 to 3.27).

(p) In the National Audit Office's view, any evaluations should also take account of the Department of Employment's experience of providing, on a short-term basis, a child care allowance to encourage lone parent participation in their Employment Training Scheme (paragraph 3.28).

(q) Lone parents' decisions about working can obviously be influenced by personal factors which are outside the control of the Department of Social Security. The available external research and the Gallup findings suggest that among these factors are easy access to affordable child care and training, which would provide lone parents with improved qualifications or better skills. The Department of Social Security's survey of lone parents will provide relevant information about these two factors. Liaison arrangements between the Department of Social Security and other government

departments should enable account to be taken of this information for any future developments in these two areas (paragraphs 3.29 to 3.36).

**With regard to the Department of Social Security's procedures for implementing their policy for recovering maintenance from liable relatives**

(r) Between 1981 and 1988 the proportion of lone parent families on Supplementary Benefit/Income Support receiving maintenance fell from 50 per cent to 23 per cent (paragraph 4.10).

(s) The Department believed that among the factors contributing to this fall were increasing unemployment among liable relatives and the approach of the courts in issuing and enforcing maintenance orders. They did not know, however, the significance or relative importance of these various factors or whether they provided a full explanation for the fall. The Department considered that it is difficult to quantify and probably impossible to establish with precision the magnitude of the various factors (paragraphs 4.11 and 4.12).

(t) On the basis of a special exercise which examined the liable relatives' work of two similar local offices, a 1986 Scrutiny undertaken by the Efficiency Unit commented that in offices where there was a low level of liable relatives work there seemed to be under-identification of cases where liable relative action might be appropriate (paragraph 4.15(a)).

(u) The work of a specialist team in the Department's North East Regional Office was intended to demonstrate to local office managers in the region the cost-effectiveness of liable relatives work. It had suggested there was potential for increasing the benefit savings on this work. However, the method used by the team did not enable potential benefit savings to be estimated on a reliable basis. The Regional Office had considered it inappropriate to modify the specialist team's approach so that more reliable estimates of benefits savings for individual offices and for the region as a whole could be calculated (paragraphs 4.15(b)).

(v) The National Audit Office found significant variation in the benefit savings achieved by a sample of 42 local offices representative of different office types. Savings over the offices as a whole averaged £29,000 for each staff year of effort. However three offices in the sample achieved savings of more than £50,000 for each staff year of effort while another three achieved less than £10,000. In the Department's view, this variation reflected the pressures on local offices at the time of the National Audit Office's examination and the different circumstances in the areas in which individual offices operate (paragraph 4.15(c)).

(w) Although the Department regarded liable relatives work as highly cost-effective, between 1981 and 1988 the number of staff years devoted to this work fell by a third from 2,356 to 1,578. This was due in part to staff being transferred to help offices achieve their main objective, the payment of benefits (paragraphs 4.16 to 4.19).



(x) Following the 1986 Efficiency Scrutiny, the Department have expanded their management information on liable relatives work but some gaps remain. Although there is currently insufficient information available for developing satisfactory performance indicators, the Department hope to have financial targets and performance indicators for this work in operation during 1990-91 (paragraphs 4.20 and 4.21).

(y) In February 1990, the Department of Social Security in conjunction with other government departments commissioned a major survey of the system for obtaining maintenance. The information, which it will provide, will help the Department compare the costs of operating the present system with those of alternatives (paragraphs 4.22 and 4.23).

(z) The Secretary of State announced in January 1990 that the Department of Social Security aimed to increase the total amount recovered from liable relatives to £180 million in 1989-90. As this Report was being finalised, the Secretary of State also announced new measures intended to increase the amount recovered in 1990-91 to £260 million. These measures include amendments to legislation to increase the Department's powers in this area as well as further steps to strengthen arrangements for liable relatives work in the Department's local offices (paragraph 4.24).

## Conclusions

8. The National Audit Office concluded that it was a matter for concern that the Department of Social Security have not yet been able to provide a full analysis of the factors giving rise to the increasing dependency among lone parent families on Supplementary Benefit/Income Support, one of the most striking trends in social security expenditure during the 1980s.

9. The National Audit Office thus welcome the efforts of the Department of Social Security to improve their information on lone parent families. This should help them assess the relative importance of these various factors. The National Audit Office note, however, that until up-to-date statistics and research become available the Department will be unable to evaluate whether measures included in the current benefit system are having the effect intended and "do not unduly discourage lone parents from working if they wish to do so". Thus, as yet, the Department cannot fulfil the full range of responsibilities required for the adequate stewardship of the money provided by Parliament for lone parent families.

10. The weight of evidence already available shows that some of the factors which have a bearing on lone parents' decisions about work are susceptible to the influence of the Department of Social Security or that of other government departments. Their current research projects provide the Department of Social Security with the opportunity to assess the impact of social security benefits on lone parents' decision-making. In particular, the research findings should help them examine (i) the extent to which lone parents are aware of and influenced by the financial incentives to work provided by the social security system and (ii) whether those incentives are negated by other factors, such as the need to incur work-related expenses. The information provided by the

research should also contribute to developments in areas which are the responsibility of other government departments, such as training and the availability of child care facilities.

11. The National Audit Office noted the significant decline in the number and proportion of lone parent families on Supplementary Benefit/Income Support receiving maintenance. They concluded that among the factors which had contributed to this decline were the resources which the Department had devoted to liable relatives work and the performance of that work by local offices. It was not possible to assess the significance of these two factors. The Department currently have no standard indicators against which they can judge the performance of local offices on liable relatives work. They also lack information which would enable some quantification of the potential for obtaining maintenance from liable relatives. The Department's various initiatives to improve their information should help establish the extent to which there is scope for increasing the amount of maintenance obtained for lone parent families receiving Income Support.

## Part 1: Introduction

**1.1** In Great Britain there are about one million people bringing up children alone. During 1988-89, social security expenditure totalling some £3.6 billion was directed towards lone parent families. Benefits paid to them fell into two categories.

**1.2** The first, comprising income-related benefits, accounted for most (£2.8 billion) of the total. The majority of lone parent families received at least one such income-related benefit.

(a) Over 720,000 lone parents not working or working part-time received £1.35 billion in Income Support, which replaced Supplementary Benefit with effect from April 1988. These lone parent families received, on average, about £50 per week.

(b) About 110,000 lone parents working full-time received £160 million in Family Credit which replaced Family Income Supplement with effect from April 1988. These lone parents received, on average, £28 per week to supplement their earnings.

(c) Many lone parent families, predominantly those on Income Support or Family Credit, also received assistance totalling some £740 million towards their rent and rates through Housing Benefit.

(d) Some lone parent families receiving Income Support received £67 million in grants or loans from the Social Fund to help with special needs or urgent requirements.

**1.3** The second category, comprising benefits available for all lone parent families irrespective of their income, accounted for the remainder of the total paid to lone parent families during 1988-89.

(a) Lone parents received a total of £174 million in One Parent Benefit which is generally available for people (other than widows) bringing up children alone. This benefit was paid at the weekly rate of £4.90 for each family.

(b) Lone parents also received a total of £648 million in Child Benefit. All parents bringing up children are entitled to this benefit which was paid at the weekly rate of £7.25 for each child during 1988-89.

### Objectives of the benefits paid to lone parent families

**1.4** Over the years various changes have been made to the support provided through the social security system for lone parent families. These have reflected concern that social security benefits should contain some recognition of the additional needs of lone parent families.

**1.5** Successive governments have also been concerned that the structure of social security benefits should be broadly neutral in terms of encouraging or discouraging lone parents to work. In January 1990 the Department informed the National Audit Office that Ministers had defined this latter objective as follows:

Social Security benefits are structured so that, while not requiring lone parents with children up to the age of 16 to be available for work, they nevertheless do not unduly discourage lone parents from working if they wish to do so.

**1.6** The measures within the social security benefit system which are intended to help lone parents who wish to take-up or remain in work are set out in Annex 1.

### Maintenance payments by liable relatives

**1.7** Successive governments have also wanted to ensure that absent parents — referred to as liable relatives and who are usually husbands and fathers — liable for the support of lone parent families meet their obligations. Current Income Support legislation, like the previous Supplementary Benefit legislation, enables the Department of Social Security to take action, when Income Support is involved, to ensure that liable relatives who can afford to do so meet their responsibilities for their families. When such action is successful the need for Income Support can be removed or the amount of benefit payable reduced. However, because the securing of maintenance payments from liable relatives may involve expensive administrative and legal procedures, the Department's objective is to follow up liability only when action appears to be cost-effective.

### Trends in benefit expenditure on lone parent families

**1.8** Between 1980 and 1988 the number of lone parent families receiving Supplementary

Benefit/Income Support more than doubled and since 1981 there has been a steady decline in the number also receiving maintenance. These factors have contributed to the growth in real terms of around 140 per cent since 1980-81 in expenditure on income-related benefits paid to lone parent families.

1.9 The increase in lone parents' dependency on Supplementary Benefit during the 1980s exceeded the Department of Social Security's short-term forecasts. Underestimates of the number of lone parents claiming the benefit were among the factors which had contributed to the Department's under-forecasting of Supplementary Benefit expenditure for annual Public Expenditure Surveys.

1.10 This increase in dependency also casts doubt on the Department's longer-term forecasts. The 1985 Green Paper on the Reform of Social Security (Cmd 9519, Paper 2, Annex A, paragraphs 10, 11 and Table 2.14) contained estimates at 1984-85 prices of Supplementary Benefit expenditure on lone parent families for the years 1995-96 and 2005-06. These estimates assumed that Supplementary Benefit expenditure to lone parents would be affected by the availability of jobs (as measured by unemployment levels) and the value of Supplementary Benefit relative to earnings as well as by the number of lone parents.

1.11 The National Audit Office noted that by 1986-87 actual Supplementary Benefit expenditure on lone parents (£1.5 billion) had exceeded the Green Paper's estimate for 1985-86 — as adjusted to 1986-87 prices (£1.3 billion). This reflected the continuing growth in the number of lone parents receiving Supplementary Benefit even though in the period after the publication of the Green Paper the level of unemployment had just begun to fall and the value of Supplementary Benefit, in relation to average earnings, declined.

### National Audit Office examination

1.12 The National Audit Office examined the Department of Social Security's stewardship of the money provided by Parliament for lone parent families in the light of the trends and developments set out in paragraphs 1.8 to 1.11. Before commencing their examination, the National Audit Office agreed with the Department of Social Security that the concept of stewardship included the following key elements:

- (a) the establishment of a database which provides details of, for example, the number and type of lone parents as well as the

financial impact of social security benefits on lone parent families;

- (b) the adequate monitoring and evaluation of the database information;

- (c) the forecasting and estimating of the impact of changes in the benefit structure on lone parent families;

- (d) adoption of procedures which ensure that, when appropriate and where it is cost-effective to do so, the Department seek to obtain support for lone parent families from liable relatives; and

- (e) close liaison with other government departments and agencies whose activities may affect lone parent families and the need to draw on the experience of comparable countries who provide support for lone parents.

1.13 This Report, therefore, addresses the following main issues:

- (a) whether the Department of Social Security have adequate information to create a database for the lone parent claimant group (Part 2);

- (b) whether the Department of Social Security adequately monitor and evaluate the financial impact of benefit arrangements for lone parents (Part 3);

- (c) whether the Department of Social Security's procedures have ensured that, where it is cost-effective to do so, liable relatives make maintenance payments when and to the extent they are able (Part 4).

1.14 For the purposes of the investigation, the National Audit Office made use of:

- (a) the Department of Social Security's statistics and research relating to lone parent families, including management information on the performance of a sample of 42 local offices in recovering maintenance from liable relatives;
- (b) information on lone parent families held by other government departments, in particular the Department of Employment and the Office of Population Censuses and Surveys;
- (c) the research contained in reports about lone parent families produced independently by the Social Security Advisory Committee<sup>(2)</sup>, the National Association of Citizens Advice Bureaux<sup>(3)</sup>, the National Council for One

Parent Families<sup>(1)</sup> and the National Institute of Economic and Social Research<sup>(2)</sup>;

(d) some qualitative research involving interviews with lone parents carried out by Gallup on behalf of the National Audit Office.

<sup>(1)</sup> Social Security Advisory Committee, Research Paper 2, Joan C Brown, "What don't they go to work? Mothers on benefit", HMSO, July 1989.

<sup>(2)</sup> National Association of Citizens Advice Bureaux "One Parent Families: benefits and work", July 1989.

<sup>(3)</sup> National Council for One Parent Families, 1988

- "The Social Security Act 1986: Impact on One Parent Families".
- "Preventing lone parents from working part-time: the impact of the Social Security changes in 1988".
- "Helping one parent families to work: a programme for action".

<sup>(4)</sup> National Institute of Economic and Social Research Discussion Paper No 159: Welfare Benefits and Lone Parents' Employment by John F Ermisch and Robert E Wright, July 1989

## Part 2: Department of Social Security database for the lone parent claimant group

2.1 In examining the Department's database for lone parent families the National Audit Office found that it consisted of three parts:

- (a) statistical information on lone parent families obtained from the work of the Office of Population Censuses and Surveys and also from the data generated as part of the Department's administration of social security benefits;
- (b) information on lone parent families in other countries, including the welfare arrangements adopted by these other countries for lone parent families; and
- (c) the results of research on lone parent families including that commissioned by the Department.

### Statistical information

2.2 Good quality statistical information is a key requirement for the Department of Social Security's database for any claimant group because it provides the basis for monitoring and evaluation of the financial impact of social security benefits for that claimant group. It thus helps establish the extent to which policy objectives for the claimant group are being achieved.

2.3 The statistical information on lone parent families available to the Department of Social Security showed that:

- (a) In 1989, the Office of Population Censuses and Surveys estimated that between 1979 and 1988 the total number of lone parent families in Great Britain grew by about 20 per cent from 840,000 to just over 1 million. In producing estimates of the number of people bringing up children alone, the Office of Population Censuses and Surveys examine data from a number of different sources, mainly sample surveys which they conduct annually. Because these surveys contain small sample numbers of lone parents, data for three consecutive years need to be added together to obtain a more reliable estimate for the middle year. Survey results for 1988 have only just become available; the Office of Population

Censuses and Surveys would need such results in order to estimate the total number of lone parent families in 1987.

- (b) The Office of Population Censuses and Surveys estimate that of the total number of lone parent families in 1986, 80,000 were headed by widowed mothers, 410,000 by divorced mothers, 190,000 by separated mothers, 230,000 by single (that is never married) mothers and 100,000 by fathers bringing up children on their own.

(c) Between November 1979 and February 1986 the number of lone parent families receiving Supplementary Benefit grew by 90 per cent from 318,000 to 602,000. As a proportion of the total number of lone parent families this represented an increase from 38 per cent to 60 per cent.

- (d) Of the 602,000 lone parent families receiving Supplementary Benefit in February 1986, 8,000 were headed by widows, 172,000 by divorced mothers, 180,000 by separated mothers, 213,000 by unmarried mothers and 28,000 by fathers bringing up children on their own.

(e) The number of lone parents receiving Supplementary Benefit/Income Support continues to grow — by May 1988, 722,000 were receiving Income Support.

- (f) Of the lone parents receiving Income Support at May 1988, 397,000 (53 per cent) had at least one child under the age of five. For 198,000 (27 per cent) lone parents their youngest child was aged between 5 and 10 and for 108,000 lone parents their youngest child was aged between 11 and 15.

(g) Between November 1979 and May 1988, while the number of divorced and separated women on Supplementary Benefit/Income Support increased by 88 per cent from 207,000 to 388,000 the number of unmarried mothers on benefit increased by 225 per cent from 89,000 to 288,000.

- (h) In December 1980, 52 per cent of lone parents receiving Supplementary Benefit had been receiving that benefit continuously for at

least two years; by May 1988 the comparable figure was 59 per cent.

(j) While, in absolute terms, the number of lone parents combining part-time work with Supplementary Benefit/Income Support increased from 44,000 to 70,000 between November 1979 and May 1988, as a proportion of all lone parents on Supplementary Benefit/Income Support, this represented a fall from 14 per cent to 10 per cent.

(j) The number of lone parents working full-time and receiving Family Income Supplement/Family Credit increased from 46,000 in 1979 to about 110,000 in 1988-89.

(k) During the period 1984-88, about 42 per cent of lone mothers worked either full-time or part-time, in contrast 52 per cent of married mothers worked. The most significant difference was in the relative proportions working part-time.

2.4 One of the important trends evident from these statistics, the increasing number of lone parent families in Great Britain, must reflect wider social developments such as the increasing rate of divorce/separation and the greater acceptability of the birth of children outside marriage. These developments together with economic factors have, in all probability, contributed to the other striking trend evident from these statistics, the growing proportion of lone parent families receiving Supplementary Benefit/Income Support.

2.5 In addition to social and economic factors there may well be other reasons for this trend such as lone parents' lack of skills and qualifications and the impact of work-related expenses (see paragraph 3.8). But their relative importance is not apparent from the basic statistical information of the kind summarised in paragraph 2.3. In the National Audit Office's view, this emphasises the importance of the research element of the Department's database (paragraphs 2.6-2.17) in the process of evaluating trends and determining whether objectives for lone parents are being achieved.

### Information from other countries

2.6 The Department had information showing that other countries have also experienced increases in the number of lone parent families. In some countries, a larger proportion of lone mothers work than is the case in Great Britain. In West Germany, for example, 60 per cent of lone mothers work. In the United States of America the figure is 70 per cent and in France it is 76 per cent.

2.7 The Department informed the National Audit Office that in order to draw any meaningful comparison between the situation in Great Britain and that prevailing in other countries, it is necessary to take into account a whole range of different circumstances. These include social and political institutions and factors, considerations such as the level of child care provided or subsidised by the state as well as the effect of benefit conditions applicable in other countries. For example, the Department did not find it surprising that work participation rates among lone parents are higher in countries such as West Germany and France where lone parents are required to seek work once their youngest child reaches the age of three. They commented that because of the range of circumstances operating in other countries they had had to recognise the problems in drawing conclusions about absolute numbers of lone parents and numbers in work in those countries. It was difficult therefore to identify relevant lessons from the experience of other countries.

### External research on lone parent families

2.8 Until recently in Great Britain, research in this area has been comparatively limited. In the light of the trends in lone parents' dependency on Supplementary Benefit/Income Support, the amount of relevant material being produced by academics and other researchers is now increasing. The National Audit Office noted that recently published reports on lone parent families included a detailed review of relevant research material undertaken by the Social Security Advisory Committee, analyses of case studies undertaken by the National Association of Citizens Advice Bureaux and the National Council for One Parent Families and a discussion paper published by the National Institute of Economic and Social Research which examined the relationship between the Supplementary Benefit system and the probability of a lone mother taking paid employment (paragraph 1.14(c)).

2.9 The Department informed the National Audit Office that they take account of relevant findings of external research on lone parent families as a part of their monitoring of the financial impact of social security benefits on lone parent families. They referred in particular to the paper published by the National Institute of Economic and Social Research Using data from the Office of Population Censuses and Surveys annual General Household Survey for the period 1973 to 1982, this concluded that the fall in the percentage of lone mothers in employment

between the late 1970s and the mid-1980s was in large part due to the rise in the general level of unemployment and not to higher welfare benefits.

## Research commissioned by the Department of Social Security

**2.10** During the 1980s, two research projects which the Department commissioned analysed the trends disclosed by departmental statistical information (paragraph 2.3). The first, conducted by the Social Policy Research Unit at York University in 1982, examined the operation of the tapered earnings disregard introduced in 1980 for lone parents receiving Supplementary Benefit (Annex 1 paragraph 4). Although the revised arrangements ensured that part-time earnings were treated more generously for benefit purposes, the research project found no evidence to suggest that it had encouraged more lone parents to work part-time.

**2.11** The study also found that few lone parents made significant use of the Supplementary Benefit regulation which allowed the Department to take account of reasonable work-related expenses, such as child care or travelling costs, when assessing part-time earnings for benefit purposes (Annex 1 paragraph 5). Of the 235 lone parents receiving Supplementary Benefit and working part-time interviewed by the researchers, 78 per cent had no child care costs while 6 per cent incurred costs of more than £5 per week. Fifty three per cent incurred no travel to work costs while 4 per cent incurred such costs of more than £5 per week.

**2.12** The study was however carried out soon after the introduction of the tapered earnings disregard by which time unemployment had increased substantially for the economy as a whole. The Department also had some doubts about some of the results produced and decided that it would be misleading to draw firm conclusions from them about labour market participation.

**2.13** The second project, which was completed by the Institute for Fiscal Studies in July 1989, examined the impact of the welfare system on work incentives for lone parents. Using information from the Family Expenditure Survey conducted by the Office of Population Censuses and Surveys between 1979 and 1984, it concluded that the Supplementary Benefit system had strongly discouraged lone parents from working and that Family Income Supplement had failed to encourage them to work. It was unable to explain why there should have been this problem with Family Income Supplement. However, it attributed the strong disincentive effect of Supplementary Benefit to the increase, between

1979 and 1984, in housing costs covered by Supplementary Benefit. The project argued that this increased the income lone parents needed from work to match the amount of benefit they stood to lose by working.

**2.14** This project also looked for other factors that might have influenced lone parents' decisions about work. It commented that the level of unemployment seemed to have no direct effect. It thus came to a conclusion which apparently contradicted that reached by other researchers. But these other researchers had used a different period and source of information for their analysis (paragraph 2.9). The project also noted that the age of children appeared to be an important factor particularly where they were of pre-school age. It also found that the payment of maintenance to lone parent families tended to increase the probability that lone parents would work. It noted that if lone parents worked, they were more likely to work full-time. It commented that it was not rational for them to work part-time because the loss of benefit which they experienced offset any gain in earnings.

**2.15** The project therefore suggested that over the period 1979-84 there had been a reduction in the effectiveness of measures in the benefit system that give lone parents an incentive to work. However, the authors of the project report expressed doubts about some of the analytical techniques which they had used. They described their conclusions as speculative and commented that to reach firmer conclusions further work using more sophisticated analytical techniques was necessary.

## Planned improvements in the Department's database

**2.16** The National Audit Office noted that the Department have a number of initiatives in hand to improve the information contained in their database for lone parent families.

(a) The Department believed that the computerisation of social security work under their Operational Strategy should improve evaluation of the achievement of policy objectives for groups such as lone parent families and so help them in designing policies that target social security expenditure more efficiently. But the Department will not be able to capitalise on the improvements to be expected from the Strategy until after main projects within the Strategy have been implemented in 1992.

(b) The Department were considering options for improving the information about lone



parent families that they now obtain from government surveys such as Family Expenditure and Labour Force surveys. Any changes would take time to implement and better survey data would not be available until 1992 at the earliest.

(c) Following some preparatory work in 1987, the Department commissioned in 1988 a major survey on the attitudes and circumstances of lone parents. Due for completion by mid-1990, the research, which is being undertaken by Professor J. Bredshaw (University of York) and Dr. J. Miller (University of Bath), will examine (i) routes into lone parenthood; (ii) what factors affect lone parents' incomes especially decisions about working, benefits and maintenance; (iii) how lone parents perceive

their situation; and (iv) how long people remain lone parents.

(d) In February 1990, the Department of Social Security in conjunction with four other government departments commissioned a survey of the maintenance system including maintenance awarded and actually paid to lone parent families (paragraphs 4.22 and 4.23).

2.17 Results of this new research should help improve the Department's database which will form a sounder basis for monitoring the financial impact of social security benefits on lone parent families. It should also strengthen the Department's methodology for forecasting benefit expenditure on lone parent families and help produce, in particular, more precise estimates of Income Support expenditure.

## Part 3: Evaluation of the financial impact of benefit arrangements for lone parents

3.1 The Department of Social Security recognise the importance of evaluating the financial impact of benefit arrangements on social security claimants. But the National Audit Office noted that full evaluation of the impact of the current social security system on lone parents, particularly of the measures intended to encourage them to take-up or remain in work, would have to await the results of the various initiatives which the Department of Social Security currently have in hand (paragraph 2.16).

3.2 As a result of the uncertainties arising from the available research evidence, the Department have not yet been able to reach firm conclusions about the relative importance of the factors that influence lone parents' decisions about working and what effect these may have had on the trends set out in paragraph 2.3. Consequently, the Department were unable to quantify with confidence the various factors that contributed to the increase in the number of lone parents receiving Supplementary Benefit/Income Support between 1979 and 1988 (paragraph 2.3(c) and (e)).

3.3 The Department of Social Security commented that the uncertainties arising from their research projects on lone parent families were shared by other researchers. The apparent contradictions contained in research findings reflected the difficulty of reaching firm conclusions in this area. This in turn was a product of difficulties in obtaining information on lone parent families and the multiplicity of inter-connected factors that influence lone parents' decisions on whether or not to work. For example, most married women who want to work are in a stronger position and have more choices than lone parents who have to combine, single-handed, the roles of child-carer and breadwinner.

3.4 The Department accepted, however, that if they are to satisfy themselves that the objectives of social security benefits with regard to lone parent families are being met, they should attempt to improve their efforts to untangle and quantify, wherever possible, the various factors that may influence the trends set out in paragraph 2.3. They considered however that it would probably be impossible to do this conclusively and with any real precision. Nevertheless, they agreed that their

current research together with other initiatives should lead to improvements on the present position.

3.5 Pending the outcome of this work, the National Audit Office commissioned some qualitative research to help inform their Report. They asked Gallup to carry out a number of group discussions and in-depth interviews with a cross-section of 52 lone parents in five locations in Great Britain. This research was not intended to seek the views of a statistically valid sample of lone parents and thus enable firm conclusions to be drawn. The aim was to try to obtain an insight into their experiences and perceptions, so as to consider whether these pointed to factors which may be influencing lone parents' decisions about working and, if so, whether they were consistent with the factors mentioned in the findings of the research projects now available to the Department (paragraphs 2.8 to 2.15).

3.6 Taking the Gallup and other research findings together, many factors emerged as being influential in deciding on whether or not to work. They included social factors such as the age of a lone parent's youngest child, attitudes to mothers working and possibly significant periods of trauma following the breakdown of the marital relationship. But there were also other factors which were more susceptible to the influence of the Department of Social Security or that of other government departments. These factors fell into four main categories:

- (a) the effect of the financial incentives provided through the social security benefit system for lone parents to work;
- (b) the impact of work-related expenses on those financial incentives;
- (c) the effect of factors, such as lone parents' skills or qualifications and the availability of child care facilities, which are outside the social security system and are the responsibility of other government departments; and
- (d) the availability of maintenance payments from liable relatives.

3.7 This Part of the Report examines the

information on the factors within the first three of these categories ((a) to (c)) while Part 4 examines the effectiveness of the Department's procedures for obtaining maintenance payments from liable relatives (category (d)).

### The effect of financial incentives provided through social security benefits for lone parents who wish to work

3.8 Paragraphs 2 to 7 at Annex 1 describe the measures that help lone parents on Income Support take-up part-time work and how these differ from the previous arrangements under Supplementary Benefit. Paragraphs 8 to 12 (Annex 1) describe measures, within the Family Income Supplement scheme and its replacement, the new Family Credit scheme, intended to help lone parents take-up full-time work. They also explain how the changes introduced with the Family Credit scheme, together with other changes introduced in April 1988, seek to ensure that in general lone parents should not be worse off than those receiving Income Support.

#### Part-time work

3.9 One issue that emerged from the Gallup research was the range of opinion held by lone parents about the value of the £15 earnings disregard (Annex 1 paragraph 4). For some it did not provide sufficient incentive to find a part-time job. And it caused others who were working part-time to limit the number of hours they worked: they felt that because they would gain nothing financially if they earned more than £15, it was not worthwhile increasing their hours of work. However, there were others who found it convenient to work hours which kept their earnings to broadly the same level as the disregard. For these lone parents, the earnings disregard set at a maximum of £15 proved an incentive to part-time work.

3.10 In this context, the National Audit Office examined the differences in treatment of lone parents' part-time earnings under Supplementary Benefit and Income Support (Annex 1 paragraph 4). Using the average rates of pay for female employees at relevant dates, they calculated the number of hours a lone parent could work before entitlement to benefit was reduced or lost. Table 1 sets out the results and shows how the effects of the tapered earnings disregard used for Supplementary Benefit differ from those of the flat rate disregard used for Income Support. Lone parents lost some entitlement to benefit more quickly under Supplementary Benefit than under Income Support regulations. For example, in March 1988 lone parents would have lost some entitlement to Supplementary Benefit

Table 1

Table 1 illustrates the number of hours which a lone mother could work part-time before affecting benefit entitlement under Supplementary Benefit and Income Support regulations

	Hours worked before any benefit is lost	Hours worked before benefit is lost on a £ for £ basis
1980 (Supplementary Benefit)	2	12
March 1988 (Supplementary Benefit)	1	6
April 1988 (Income Support)	5	5

Note: The National Audit Office calculated the figures in Table 1 using the Department of Employment's New Earnings Survey and the appropriate Department of Social Security benefit rates.

after just one hour's work. In April 1988, following the introduction of Income Support, lone parents could work for up to five hours without affecting entitlement. However, under Supplementary Benefit they could work for more hours before losing benefit on a £ for £ basis. In 1980 lone parents could have worked for a maximum of twelve hours before they would have lost Supplementary Benefit on this basis. By March 1988, this had reduced to six hours. In April 1988 under Income Support, they could work for five hours before losing benefit on the same basis.

3.11 The 1985 White Paper on the Reforms of Social Security contained a commitment to monitor the new regulations governing the treatment of part-time earnings for all claimant groups affected by the changes and, if necessary, to reconsider them in the light of experience of their operation. The National Audit Office noted that at present this monitoring is based on the analysis of departmental statistics showing the numbers of Income Support claimants in part-time work, including lone parents, and their average earnings. However, on its own, analysis of this kind will not enable the Department to evaluate the extent to which the earnings disregard regulations are not unduly discouraging lone parents from working part-time.

3.12 The Department commented that their survey of lone parents (paragraph 2.16(c)) will provide very

useful information on lone parents' attitudes to benefits and employment, including part-time work. The Department also informed the National Audit Office that they are pressing ahead with work on the specification of more extensive research on earnings rules which would include the impact of the earnings disregards on Income Support claimants generally. It is expected that lone parent issues will form only a small part of this wider survey, but that the results of the Department's survey of lone parents will be used to inform this aspect of the research. Assuming that no technical problems arise and that suitable researchers can be found, the Department hope that information from the proposed research may be available later this year.

3.13 In commissioning and analysing the results of research on the treatment of part-time earnings, the Department will have to have regard to the difficulties experienced in their earlier research in this area which prevented firm conclusions being drawn (paragraphs 2.10 to 2.12).

#### Temporary and seasonal work

3.14 Some of the lone parents on Income Support interviewed by Gallup were concerned that social security benefit rules do not encourage them to take-up full-time temporary or seasonal work. They believed that if they took a temporary job and moved off Income Support they would receive less when they went back on benefit.

3.15 The National Audit Office noted that prior to October 1989 two main groups of lone parents drawing Income Support would have been affected. The larger, estimated to be about 230,000 were receiving transitional protection against a reduction in the amount of benefit they were receiving before the changes in the benefit system from April 1988. In general, these lone parents could have lost their right to transitional protection if the value of that protection was less than £10 per week or if they had stayed in a temporary job for more than 6 weeks. The National Audit Office found that in May 1988 about 210,000 of those lone parents with transitional protection received less than £10 per week.

3.16 The other main group that could have lost by taking temporary work comprised the 62,000 lone parents who were owner occupiers. If these lone parents took a temporary job that lasted for more than 6 weeks, help with their mortgage interest payments would have been halved for the first 16 weeks of any new claim for Income Support.

3.17 The Department commented that as a result of their general monitoring they had recognised that Income Support claimants generally could be deterred from trying to work by the possible loss of transitional protection or by the halving of the help with mortgage interest. Consequently in October 1989, as part of a wider initiative to help the long-term unemployed back into work, Income Support regulations for transitional protection and mortgage interest payments were changed. The new regulations provide for the reinstatement of transitional protection (of any amount) and of the previous level of help towards mortgage interest to Income Support claimants who have been unemployed for twenty-six weeks or more and who meet new requirements. Under these requirements the claimants must have taken up work for a trial period of at least six and no longer than twelve weeks and given it up without incurring, where appropriate, a disqualification for Unemployment Benefit or effecting a voluntary unemployment deduction under Income Support regulations. This concession applies to all Income Support claimants, including groups such as lone parents, who are not required to be available for work and who therefore do not incur voluntary unemployment deductions.

#### Full-time work

3.18 Gallup found that some of the lone parents whom they interviewed believed that if they obtained a full-time job their earnings would have to compensate for the loss of free school meals and of benefit to meet housing costs. Consequently some thought that if they obtained a full-time job they would be worse off than if they remained on Income Support. The National Audit Office assessed the validity of this view.

3.19 The lone parents interviewed by Gallup were only partly correct in so far that those with school-age children who had taken free school meals would lose entitlement if they moved off Income Support into full-time work supplemented by Family Credit. However, they did not know that the rates of benefit in Family Credit included additional cash help in place of the free school meals previously available under Family Income Supplement. At the start of the scheme, the children's rates were set at £2.55 higher for each child than they otherwise would have been. This help is given to all Family Credit recipients throughout the duration of their claim and not just during school terms.

3.20 The lone parents interviewed by Gallup were correct when they commented that there would be at least some reduction in the assistance towards

housing costs if they moved off Income Support and into full-time work. However, they did not appreciate that any reduction in Housing Benefit in these circumstances would be less than the additional income they get from work rather than being on Income Support. The Department pointed out that this was one of the key features of the new Housing Benefit scheme introduced in April 1988. And that, in general, because of the interaction of Income Support, Family Credit and Housing Benefit (and, from April 1990, Community Charge Benefit) lone parents could be financially better off by taking up full-time employment.

3.21 There is, however, no unequivocal answer to the question of whether, when account is taken of the full range of an individual's circumstances, a lone parent will be financially better off by working full-time or part-time or by not working at all. In some circumstances, there will be financial advantages in working. In others, working may well be financially disadvantageous. In each case the balance of gaining or losing by working will vary according to the number and age of children, the level of earnings, housing costs, maintenance payments made by liable relatives and work-related expenses. Quite small changes in personal circumstances can tip the financial balance either way. These are difficult calculations. So it is not surprising that some lone parents apparently find it hard to evaluate their own position and the options before them.

### **The impact of work-related expenses on any financial incentives**

3.22 As described in Annex 1 paragraph 3, with the introduction of Income Support in April 1988, work-related expenses are no longer taken into account when calculating benefit entitlement. The Department did not believe that this change would have an adverse effect on the majority of lone parents working part-time in April 1988. On the basis of the results of their 1982 study in this area (paragraphs 2.10 and 2.11), they expected that the increase in the earnings disregard to £15 would protect lone parents from the effects of the new method of treating work expenses. As for full-time work, work-related expenses have never been taken into account in assessing entitlement under Family Income Supplement or Family Credit.

3.23 The Gallup research suggested that the new method of treating work expenses had not deterred some of the lone parents interviewed from working part-time. Of these, some worked for a few hours only and were able to rely on informal care at a playgroup or by relatives and neighbours.

3.24 The cost of child care and other work-related expenses emerged as an important consideration for lone parents in the Gallup sample who wished to work full-time. It influenced the belief of some of the lone parents interviewed that they would need to earn at least £150 per week from a full-time job to make working worthwhile.

3.25 For lone parents considering whether or not to make the transition from dependency on Income Support to full-time work, the amount of work-related expenses which they are likely to incur will have a bearing on their eventual decision. This is particularly so for those lone parents with young children who would have to incur high child care costs because they do not have access to less expensive alternative arrangements. The National Audit Office noted that lone parents on Income Support who received maintenance were in a more advantageous position. When they moved to full-time work, they could afford to incur higher work-related expenses before they would be worse off financially. But the additional amount which they could afford would depend on how much maintenance they received.

3.26 Some of the lone parents interviewed by Gallup who were working full-time were able to do their jobs because they either earned enough to pay for child care, had help with child care from a member of the family or had jobs which fitted in with their need to look after their children, particularly during school holidays. And the Department stated that, more generally, the 110,000 lone parents in full-time work and receiving Family Credit have managed to reconcile earning a relatively low income with meeting work-related expenses such as child care costs.

3.27 The National Audit Office found that there is a lack of firm information about work-related expenses that lone parents may have to incur if they take-up either part-time or full-time work. The Department's current survey of lone parents (paragraph 2.16(c)) will provide some evidence of the nature and level of work-related expenses. And this should help the Department to evaluate the effect of the expenses on the work incentives provided by the social security benefit system and, more generally, the financial impact of benefits on lone parents.

3.28 In the National Audit Office's view, any Department of Social Security evaluation of the impact of work-related expenses should involve close liaison with the Department of Employment. Since the Employment Training Scheme began in September 1988, the Department of Employment

have paid a child care allowance of up to a maximum of £50 per week for each child to those lone parents who have to make provision for such care in order to participate in the programme. Given that the allowance for child care under the Employment Training programme is for a set period only, the aim of liaison should be to establish whether the Department of Employment's experience provides any lessons that may be helpful in the Department of Social Security's evaluation of the impact of these expenses on decisions of lone parents.

### **The effect of factors outside the social security system**

3.28 Factors not within the control of the Department of Social Security can clearly influence lone parents' decisions about working and thus the extent to which the Department's objectives for lone parent families are achieved. They therefore need information about these factors to help them estimate the impact of changes in the benefit structure and on the level of benefit expenditure. The material examined by the National Audit Office and the Gallup qualitative research (paragraphs 3.5 and 3.6) suggest that two factors may be particularly important. These are:

- (a) the skills and qualifications of lone parents;
- (b) availability of child care facilities.

#### Level of skills and qualifications of lone parents

3.30 The Social Security Advisory Committee research paper (paragraph 1.14(c)) noted that part of the difficulty experienced by lone parents in achieving self-support arises from low wages. It commented that education or training which provided improved qualifications or better skills might offer a route to better paid work. Some of the lone parents interviewed by Gallup also made similar comments. However, the Social Security Advisory Committee's research paper pointed out that very little is known about the education and training needs of lone parents and how these can be met. The National Audit Office noted that the Department of Social Security's survey of lone parents (paragraph 2.16(c)) by providing information on the education, training, qualifications and work experience of the lone parents involved should help fill this gap.

3.31 The Department of Employment are responsible for government policy on employment training. When their Employment Training programme began in September 1988, they made

3,000 special places available to lone parents who have claimed Income Support for at least six months and who have children of school age. There are about 380,000 lone parents in this situation. By April 1989, 67 per cent of these places had been filled.

3.32 Some of the lone parents interviewed by Gallup were aware of the Employment Training Scheme and knew that the Department of Employment met the child care costs incurred by lone parents included in the programme (paragraph 3.28). Others became interested in the scheme when it was discussed at the group interviews.

3.33 In the National Audit Office's view, it is important that the Department of Social Security continue to liaise with the Department of Employment with a view to ensuring that lone parents on Income Support are provided with sufficient information about the training opportunities that are available. Also, the liaison arrangements should enable the information obtained from the Department of Social Security's survey of lone parents (paragraph 3.30) to be taken into account for any future development of training for lone parents.

#### Availability of child care facilities

3.34 Availability of child care facilities emerged from the Gallup research as a factor that may influence lone parents' decisions about whether or not to work. Some lone parents in the sample were able to rely only on relatives or friends to look after their children for short periods. To obtain a full-time job they would need to find child care facilities. However, some of the lone mothers receiving Income Support believed that there was a shortage of these facilities in their area.

3.35 At the time of the National Audit Office study, a Ministerial Group on Women's Issues chaired by the Minister of State at the Home Office had been considering the whole subject of child care provision. In April 1989 it announced a five-point plan aimed at encouraging employers, local authorities and voluntary organisations to provide child care facilities of a high standard to give parents in two parent and one parent families the greatest choice to enable them to balance their family responsibilities with employment opportunities.

3.36 The Department of Social Security commented that the results of their survey of lone parents (paragraph 2.16(c)), will enable them to improve their evaluation of the extent to which the

cost and availability of child care facilities are influential in decision-making by lone parents. In the National Audit Office's view, it will be

important for the Department to communicate their findings to other government departments through their normal liaison arrangements.

# Part 4: Recovery of maintenance from relatives liable for support of lone parent families

## Background

4.1 The 1986 Social Security Act stipulates that a man is liable to maintain his wife and his children, while a woman is liable to maintain her husband and her children. Also it enables the Secretary of State to take action to obtain maintenance from a person who is liable to maintain another person for whom Income Support is claimed or paid. Similar provisions applied to payment of Supplementary Benefit. This part of the Report examines the implementation of the Government's policy in this area (paragraph 1.7).

## Policy and Procedures

4.2 Specialist staff located in the Department's local and regional offices are responsible for liable relatives work.

### Local Office Work

4.3 Staff based in local offices consider whether there is a liable relative aspect on claims for Income Support. This arises particularly where there are claims from lone parents. They seek to identify and trace liable relatives and then obtain maintenance from them through voluntary agreements or, where appropriate, by taking legal proceedings or by assisting with proceedings initiated by claimants. They aim to ensure that the liable relative pays the amount which would remove his dependents' need for Income Support or as much towards that amount as he can reasonably afford. In assessing the amount payable the local offices use an administrative formula which takes account of the needs of the liable relative such as housing costs, an element for work-related expenses and a notional Income Support rate. Until recently (paragraph 4.7), and subject to the agreement of the lone parent claiming benefit, the Department's local offices were also able to collect the maintenance payments where the liable relative paid irregularly or did not pay maintenance directly to a court or to the lone parent.

4.4 Liable relatives work involves expensive administrative procedures such as personal

Interviews with claimants and the liable relatives themselves either at a local office or in their homes. It can also result in costly legal proceedings. As a consequence the Department of Social Security's policy since 1982 has been to follow up liability when action appears likely to be cost-effective. Thus, in accordance with the relevant guidance, local offices are unlikely to try to obtain maintenance when, for example, either the liable relative is unemployed or is responsible for a second family and so cannot afford to pay maintenance.

4.5 Local offices are required to review voluntary payments annually and court orders triennially to see whether the liable relative can afford to pay more. In cases where the liable relative is assessed as being unable to pay maintenance, staff are required to check whether there has been any change in his financial situation to see if he can afford to pay something from the date of the review.

### Regional Office Work

4.6 All seven of the Department's Regional Offices have some staff who specialise in liable relatives work. Most are concerned primarily with cases that involve preparation for legal proceedings. Staff in two Regional Offices (London South and North East) augment this by providing specialist training and advice for staff responsible for liable relatives work in local offices as well as surveying the standard achieved on that work by local offices in their region. The North East region have a programme for undertaking this survey work. In the London South region this work is more limited and carried out on an ad hoc basis.

4.7 During 1989-90, the responsibility for the actual collection of any maintenance paid directly to the Department (paragraph 4.3) was transferred from local offices to the Department's Regional Finance Offices. A Scrutiny conducted by the Efficiency Unit in 1986 had recommended this change arguing that it would make the collection of payments from liable relatives more efficient and cost-effective. The Scrutiny also considered that these new arrangements would ensure that cases



where the payment of maintenance was irregular or in default were followed-up more promptly.

#### Other aspects of Departmental procedures

4.8 Co-operation in liable relatives' work is not a condition of benefit entitlement for any lone parent. Where the Supplementary Benefit/Income Support claimant is a divorced or separated lone parent, there is a presumption that the husband or ex-husband is the father of the claimant's children. Where the claimant is an unmarried mother, the Department can only take action if the mother discloses the name of the father. The 1986 Efficiency Scrutiny (paragraph 4.7) estimated that not requiring unmarried mothers to name their children's fathers resulted in an inability to recover up to £16 million a year in maintenance. And it recommended some procedural changes. The Department subsequently revised the forms given to unmarried mothers to emphasise more the importance of arranging maintenance rather than the mother's right not to name her children's father.

4.9 The Department are currently testing the use of a postal enquiry form, as an alternative to the system of interviewing lone parents (paragraph 4.4), for the purposes of gathering basic information they need to obtain maintenance. The Department estimated that full introduction of the postal enquiry form, which is dependent on successful testing, together with the transfer of collection work to Regional Offices (paragraph 4.7) and the implementation of other recommendations made by the Efficiency Scrutiny could achieve benefit savings of £10 million each year and staff savings of £4.5 million a year.

#### **Maintenance paid to lone parent families: key trends**

4.10 Between 1981 and 1988 the number of lone parent families receiving Supplementary Benefit/Income Support increased by 86 per cent from 388,000 to 722,000. Against this background, the National Audit Office noted the following key trends in maintenance paid by liable relatives to lone parent families receiving Supplementary Benefit/Income Support.

(e) During the same period, the number of lone parent families on benefit who were also receiving maintenance fell by 28,000 to 167,000. This represented a fall from 50 per cent of all lone parent families receiving Supplementary Benefit in 1981 to 23 per cent of all lone parent families on Income Support in 1988.

(b) The scale of the fall referred to at (a) varied according to the type of lone parent family. In cases where the family head was a divorced woman the fall was from 64 per cent to 38 per cent. Where the head was a woman separated from her husband the fall was from 51 per cent to 25 per cent and where the head was an unmarried mother the fall was from 29 per cent to 12 per cent.

(c) For 1988-89, the Department estimated that some £126 million in maintenance was payable for lone parent families on Income Support. This represented a fall in real terms of 9 per cent since 1981-82.

4.11 The Department of Social Security attribute the decline in the number of lone parent families on Supplementary Benefit/Income Support receiving maintenance to a number of factors. These include:

- (a) the effects of the greater emphasis placed, since 1982, on the need to ensure that the Department's liable relatives work was cost-effective;
- (b) increasing unemployment among liable relatives;
- (c) formation of second families by liable relatives; and
- (d) the approach of courts in issuing and enforcing maintenance orders.

4.12 The Department do not know the significance or relative importance of each of these factors or whether they provide a full explanation for the decline in the proportion of lone parent families receiving maintenance. They commented that, like other aspects of research into lone parent families, it is difficult to quantify factors in this area and that it is probably not possible to establish with any precision the magnitude of these various factors.

#### **National Audit Office examination of the outcome of liable relatives work**

##### Local office performance

4.13 The National Audit Office drew upon the work of the North East Regional Office (paragraph 4.6). This included a special exercise carried out for the 1988 Efficiency Scrutiny (paragraph 4.7) and work by the regional specialist staff at 16 local offices between March 1988 and September 1989. In each of these offices the specialist staff examined a large sample of liable relative cases to establish the

extent of compliance with the procedures summarised at paragraphs 4.3 to 4.5.

4.14 The National Audit Office also collected and analysed key statistical data on the liable relatives work of a sample of 42 Department of Social Security local offices representative of different office types. The information obtained for each office covered the period April to October 1988. It included details of the staff resources used on liable relatives work, of their workload, of clearance of cases (for which statistical data was available from July 1988 only), and of the weekly benefit savings achieved in cases where the need for Income Support had been reduced or eliminated.

4.15 The National Audit Office noted the following:

(a) The special exercise carried out by the Department's North East Regional Office, for the 1986 Efficiency Scrutiny, examined the liable relatives work of two similar local offices. One had a fully staffed enthusiastic liable relatives section while the other "with less commitment" had only about a third of its liable relatives staff complement. The exercise found that the fully staffed section achieved £100,000 more in annual benefit savings than the other office and, for each staff-day of effort, achieved a recovery rate that was four times greater. On the basis of these results, the Scrutiny commented that in offices where there was a low level of liable relatives work there seemed to be under-identification of cases where liable relative action might be appropriate.

(b) The specialist team from the Department's North East Regional Office found some evidence of non-compliance with established procedures for liable relatives work (paragraphs 4.3 to 4.5). In the course of their local office visits over a period of eighteen months, they attempted to estimate potential benefit savings in individual cases if all procedures had been completed. The purpose was to encourage local office managers' interest in liable relatives work by demonstrating its cost-effectiveness. The method used was not statistically based. Nor did it enable potential benefit savings in individual cases to be estimated on a reliable basis. Although the team's findings over the period of eighteen months had suggested that the potential savings could be substantial the National Audit Office noted that the North East Regional Office had considered it inappropriate to modify the specialist team's

approach so that more reliable estimates of savings could be calculated and then extrapolated to produce an estimate of savings for the region as a whole.

(c) The National Audit Office's examination of the 42 local offices disclosed a significant variation in the achievement of benefit savings on cases dealt with during the period examined. The National Audit Office calculated that savings over the 42 offices as a whole averaged £29,000 for each staff year of effort. However, as between offices, there was a considerable range in the benefit savings achieved (Table 2).

Table 2

Table 2 analyses the benefit savings achieved by a sample of 42 local offices between April and October 1988

Benefit savings achieved for each staff year of effort on liable relatives work	Number of local offices in each band
Less than £10,000	3
between £10,000 and £20,000	9
between £20,000 and £30,000	15
between £30,000 and £40,000	7
between £40,000 and £50,000	5
more than £50,000	3
Total number of local offices	42

Source: Department of Social Security statistical data.

The Department commented that this variation reflected the different circumstances in the areas in which the local offices operated. They also commented that the period covered by the National Audit Office's examination had been a period of great change and a particularly difficult time for all local offices. Not only were offices implementing the new social security schemes, many had to cope with massive take-up campaigns generated by various pressure groups towards the end of the old Supplementary Benefit Scheme. Offices were also preparing for the transfer of the collection of maintenance to regional offices (paragraph 4.7). Although information on liable relatives work is collected and is available for management scrutiny, the National Audit Office considered that in the absence of any performance indicators the Department lacked the assurance that each local office undertook this work efficiently and effectively (paragraphs 4.20 to 4.21).

### Resources allocated to liable relatives work

**4.16** Although the circumstances in which local offices operate must contribute to differences in performance on liable relatives work, the National Audit Office noted that factors within the Department's control could also influence the performance achieved. One factor that emerged as being particularly important was the amount of resources allocated to liable relatives work.

**4.17** Local offices receive an allocation of staff specifically for liable relatives work, but the amount of manpower actually used is left to the discretion of local office managers. Consequently, at times of pressure local office managers may take staff away from liable relatives sections, or even close the sections down, in order to achieve their main objective of paying benefits. The Department commented that in withdrawing staff from other areas of work to meet this objective local office managers have been required to give priority to liable relatives work since September 1989. Before then departmental practice was to advise local office managers about areas of work which could be treated as low priority. The Department informed the National Audit Office that liable relatives work had never been included in this advice as a low priority task. They also commented that the closure of a liable relative section is extremely rare in practice and is only done after very careful consideration on the part of local office managers.

**4.18** The National Audit Office found that among their representative sample of 42 local offices the practice of transferring staff from liable relatives work to help with other pressing tasks was widespread during the period examined (paragraph 4.14). In 37 (88 per cent) of the offices in the sample, staff were withdrawn from this work to help undertake work of higher priority. Seventeen of the offices in the sample were more than 25 per cent below their complement for liable relatives work. Seven had shortfalls of over 50 per cent. The available information did not indicate whether any of the local offices in the sample had closed their liable relatives section during the period examined. The Department commented that during this period local offices had had to cope with the pressures described at paragraph 4.15(c).

**4.19** The National Audit Office found that the fall between 1981 and 1988 in the number of lone parent families on Supplementary Benefit/Income Support receiving maintenance had been accompanied by a

reduction of one-third from 2,356 to 1,578 in the total number of staff years devoted to liable relatives work. This reduction was implemented even though the work on obtaining maintenance from liable relatives was regarded as a very cost-effective operation. The Department estimated that in the year to March 1989 each man-year devoted to liable relatives work cost £10,000 and produced benefit savings of £82,000, including continuing savings from earlier periods. The savings arise in cases not only where the level of Income Support is reduced but also where the need for it is eliminated. The Department estimated that, where liable relatives action removed the need for benefit completely, savings amounted to £29 million in 1988-89, an increase of £9 million in real terms since 1982-83.

### Oversight of liable relatives work

**4.20** A second factor which could have influenced the performance achieved by local offices was the quality of the Department's oversight of the work. The 1986 Efficiency Scrutiny argued that the Department needed to improve their information as the performance of liable relatives sections to help management at local and regional level exercise more effective oversight of this work. Although the Department subsequently expanded the management information collected, this did not provide a systematic basis for holding managers to account for the resources allocated to liable relatives work and the standard of performance achieved.

**4.21** The Department of Social Security believe that devolution of responsibility and accountability to local office level is the way to ensure effective management of social security resources, including those devoted to liable relatives work, although central monitoring of results will have a role. They recognise that there is still insufficient information available for developing satisfactory performance indicators and targets for liable relatives work. They commented that it is particularly difficult to design national control mechanisms which take account of the many extraneous factors affecting liable relatives work around the country. Nevertheless, the Department hope to have financial targets and performance indicators in operation during 1990-91.

### Survey of the maintenance system

**4.22** In February 1990, the Department of Social Security together with the Lord Chancellor's

Department, the Home Office, the Scottish Office and the Lord Advocate General's Department commissioned a survey of the maintenance system as a whole. The survey will examine the practices of a sample of Courts and Department of Social Security offices in England, Wales and Scotland.

4.23 The Department of Social Security informed the National Audit Office that the aim of the survey is to get as full and up to date information as possible on how the maintenance system works in practice. The survey will provide information on the amounts of maintenance awarded and actually collected by the Courts and will look at the amounts collected by the Department of Social Security. It will also provide information about the means of absent parents and help the Department to compare the costs of operating the present system with those of alternatives.

### **Strengthening procedures for recovering maintenance from liable relatives**

4.24 The Department of Social Security also informed the National Audit Office that they were in the process of strengthening their procedures for recovering maintenance from liable relatives. The Secretary of State announced on 30 January 1990 that whereas the Department of Social Security had recovered about £155 million (paragraphs 4.10(c) and 4.19) from liable relatives in 1988-89 they aimed to increase this total to £180 million in 1989-90. As this Report was being finalised, the Secretary of State announced new measures intended to increase the amount recovered in 1990-91 to £260 million. These measures include amendments to legislation to increase the Department's powers in this area as well as further steps to strengthen arrangements for liable relatives work in the Department's local offices.

## Annex 1

### Measures within the social security benefit system intended to help lone parents who wish to take up or remain in work

1. The benefit system contains elements which are designed to improve work incentives for claimants. For lone parents, it includes measures which help those who wish to take-up or remain in either part-time or full-time work. Decisions about introducing or improving measures of this kind reflect the Government's thinking about their overall objectives for the social security system. In particular, they will take account of other policy objectives such as the provision of an adequate out of work income or controlling the cost of any change. The Government attach particular concern to the need to have regard to

- (a) the cost-effectiveness of any proposed change to ensure that any measures intended to encourage part-time work do not make staying on benefit attractive and thus act as disincentives to full-time work; and
- (b) the treatment of lone parents compared with other groups such as married women with children.

### Lone Parents in part-time work

2. To enable people to maintain contact with the labour market and supplement their income, regulations relating to Supplementary Benefit and its successor, Income Support (paragraph 1.2(e)), have allowed them to claim benefit while working part-time. The treatment of lone parents' part-time earnings under Income Support changed in three important respects from the previous Supplementary Benefit arrangements. These related to:

- (a) the amount of earnings from part-time work which a lone parent can retain without affecting benefit entitlement (this is known as the "earnings disregard");
- (b) the treatment for benefit purposes of work-related expenses; and
- (c) the number of hours of part-time work a lone parent can undertake each week before benefit entitlement is lost.

3. These changes, like others introduced in April 1988, had three important aims: simplicity, the need to align Income Support with Family Credit and Housing Benefit and the need to avoid creating disincentives to take-up full-time work.

4. Under Supplementary Benefit regulations, claimants, other than lone parents, working part-time were allowed to retain the first £4 of their weekly earnings. However, lone parents working part-time were allowed to retain the first £4 of their weekly earnings together with fifty per cent of the next £16, making a maximum of £12 before the amount of benefit they received was reduced on a £ for £ basis. This arrangement, which was known as the tapered earnings disregard, was introduced in 1980 and was not changed until the introduction of Income Support in April 1988. From that date lone parents, like some other groups of claimants, have been allowed to retain each week the first £15 of any part-time earnings. If they earn more than £15, benefit is reduced on a £ for £ basis.

5. Supplementary Benefit regulations also stipulated that reasonable work-related expenses, such as fares and child care costs, should be deducted from income from part-time work when assessing net weekly earnings for benefit purposes. Under Income Support regulations, the Department can no longer take these expenses into account when calculating benefit entitlement.
6. Furthermore, Supplementary Benefit regulations stipulated that lone parents, like all other recipients of Supplementary Benefit, could work for up to 30 hours each week. Under Income Support, all claimants who work must work on average for less than 24 hours each week. People who work on average for 24 hours or more may qualify for Family Credit (and, so far as lone parents were concerned, they could have qualified for the earlier Family Income Supplement scheme). However, under both Supplementary Benefit and Income Support there were some exemptions to these restrictions. For example, there were no restrictions on child minders working at home.
7. As with Supplementary Benefit, everyone on Income Support, including lone parents, who has liability for rent or domestic rates is eligible for Housing Benefit whether or not they are working part-time.

### **Lone Parents in full-time work**

8. Family Income Supplement and its successor, Family Credit (paragraph 1.2(b)), have been available to supplement the income of less well off lone parents in full-time work. Family Credit regulations define full-time work as working on average 24 hours or more each week.
9. Family Income Supplement and Family Credit have been available to other parents as well but the regulations for these benefits have treated lone parents favourably. Under Family Income Supplement, for example, lone parents qualified for the benefit if they worked for a minimum of 24 hours each week. All other claimants had to work at least 30 hours each week. Under Family Credit regulations, lone parent families receive the same adult credit, and therefore the same rate of benefit, as two parent families who are in the same circumstances. Also, in calculating the amount of benefit to which a lone parent family may be entitled, under those regulations, the Department disregard One Parent Benefit (paragraph 1.3(a)).
10. Lone parents on Family Credit, like all other parents, may be entitled to Housing Benefit. Until March 1988, lone parents were assessed under Housing Benefit as if they were couples with children. The new Housing Benefit scheme introduced in April 1988 bases benefit entitlement on 100 per cent of rent paid and, in this way, recognises the likely higher housing costs of lone parents in comparison with those of single people. In addition, in October 1989, the Secretary of State announced an increase of 12.8 per cent in the lone parent premium for Housing Benefit from April 1990 and an increase from £15 to £25 a week in the amount which lone parents can earn from October 1990 without affecting Housing Benefit entitlement. This will help more lone parents who are not on Income Support. These new rates will also apply for Community Charge Benefit during 1990-91.
11. All the new social security schemes introduced in April 1988 sought to ensure that, in general, families in full-time work, including lone parent families, would not be worse off than those who were unemployed and would see a real increase in their disposable income as their earnings rose. To improve work incentives for families, including lone parent families, the new schemes incorporated the following changes.

(a) Family Credit was made a more generous scheme than Family Income Supplement. It can help more families on higher levels of earnings and ensures that, in general, their total net income as a result of working is more than they would have received had they been dependent on Income Support.

(b) Family Credit and the new Housing Benefit Scheme were structured so as to avoid the situation which could have arisen prior to April 1988 where an increase in earnings could have left claimants worse off overall. This was because the earnings taken into account for Family Income Supplement and the previous Housing Benefit scheme were before deductions for Income Tax and National Insurance Contributions. Under Family Credit and the new Housing Benefit scheme, the earnings taken into account are net of Income Tax, National Insurance Contributions and half of any occupational pension contributions.

12. The April 1988 changes had no effect on Child Benefit and One Parent Benefit. These benefits are available to all lone parents regardless of the level of their income. They are not income-related but are taken into account for calculation of Income Support entitlements. They are therefore of more value to lone parents in full-time work than those receiving Income Support.

## Reports by the Comptroller and Auditor General Session 1989-90

The Comptroller and Auditor General has to date, in Session 1989-90, presented to the House of Commons the following reports under Section 9 of the National Audit Act, 1983:

Department of Trade and Industry: Sale of Rover Group plc to British Aerospace plc .....	JHC 9
Quality Control of Road and Bridge Construction .....	JHC 21
Publicity Services for Government Departments .....	JHC 46
Text Processing in the Civil Service .....	JHC 85
Invalidity Benefit .....	JHC 91
Grants to Aid the Structure of Agriculture in Great Britain .....	JHC 105
The NHS and Independent Hospitals .....	JHC 106
Department of Trade and Industry: Promotion of Quality and Standards .....	JHC 157
Bilateral Aid to India .....	JHC 153
Regenerating the Inner Cities .....	JHC 189
The Royal Mint .....	JHC 195
Ministry of Defence: Low Flying Training .....	JHC 201
Department of Trade and Industry: Sale of Government Shareholding in British Steel plc .....	JHC 210
Property Services Agency: Management Controls in District Works Offices .....	JHC 220
Gibraltar Pensions .....	JHC 227
The Retail Prices Index .....	JHC 239
Ministry of Defence: Fleet Maintenance .....	JHC 249
Ministry of Defence: Fire Protection at Main Store Depots .....	JHC 262
Maternity Services .....	JHC 297
Property Services Agency and Department of Energy: New Headquarters Building for the Department .....	JHC 303
Inland Revenue: Collection and Enforcement of Debts .....	JHC 313
Department of Social Security: Support for Lone Parent Families .....	JHC 328